

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**
Monday, December 7, 2015 – 2:00 p.m. – Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Dean Sanpei, Co-Chair
Sen. Jerry W. Stevenson, Vice Chair
Rep. Brad L. Dee, Vice Chair
Sen. J. Stuart Adams
Sen. Gene Davis
Sen. Jim Dabakis
Sen. Luz Escamilla
Sen. Peter C. Knudson
Sen. Karen Mayne
President Wayne L. Niederhauser
Sen. Ralph Okerlund
Rep. Patrice M. Arent
Rep. Joel K. Briscoe

Rep. Rebecca Chavez-Houck
Rep. Francis D. Gibson
Speaker Gregory H. Hughes
Rep. Brian S. King
Rep. Brad R. Wilson

Members Excused:

Rep. James A. Dunnigan

Staff Present:

Mr. Jonathan Ball, Legislative Fiscal Analyst
Mr. Steven Allred, Deputy Director
Ms. Greta Rodebush, Legislative Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Sanpei called the meeting to order at 2:13 p.m.

MOTION: Sen. Hillyard moved to approve the minutes of November 17, 2015. The motion passed unanimously with Sen. Escamilla, Sen. Knudson, and Sen. Mayne absent for the vote.

Co-Chair Sanpei changed the order on the agenda slightly to accommodate more time-sensitive items.

2. Adoption of FY 2016 and 2017 Estimates [Agenda Item 5]

Dr. Andrea Wilko, Chief Economist, LFA, reviewed the two-sided green sheet behind Tab 5 titled: “Revenue Estimates – December 2015” on page 1, and “Crosswalk from Revenue Estimates to Available GF/EF Revenue – December 2015” on page 2.

Dr. Wilko indicated that the consensus revenue estimates were compiled by the Legislative Fiscal Analyst, the Governor’s Office, and the Utah State Tax Commission.

Year-end totals for FY 2015 show a General Fund (GF) deficit of approximately \$16 million and an Education Fund (EF) surplus of approximately \$60 million (column a on page 1). The revised revenue estimates for FY 2016 (Column c on page 1) total approximately \$2.3 billion GF (a \$24 million GF decrease from the revised May 2015 estimate) and \$3.75 billion EF (a \$159 million EF increase from the revised May 2015 estimate). The new revenue for FY 2017 (Column f on page 1) is \$38 million GF and approximately \$314.7 million EF. Taking into account the prior year surplus/deficit, reserves, transfers,

and expenditure adjustments, the available GF/EF free revenue for FY 2016 – FY 2017 is \$180 million one-time and \$380 million ongoing (see page 2).

Sen. Hillyard asked clarifying questions regarding the FY 2015 deficit in the GF, slower than projected growth in sales tax revenue, and measuring income tax (withholding and final payments).

Co-Chair Sanpei asked what percent of the total budget the available revenue represents. Mr. Ball indicated that the total GF/EF budget is about \$6 billion and that the \$380 million ongoing revenue represents approximately 6 percent of the total GF/EF budget.

Mr. Ball responded to Rep. Briscoe's questions regarding the "Crosswalk from Revenue Estimate to Available GF/EF Revenue – December 2015." He also briefly discussed factors contributing to the decrease in sales tax revenue in a growing economy.

Sen. Adams asked about the percentage growth in General and Education Funds. Mr. Ball stated that GF growth is just less than 2 percent and EF growth is about 10 percent. When compared to the May 2015 estimates, the GF/EF year-over-year revenue growth is 6 percent, which is indicative of a growing economy.

In response to Sen. Dabakis' inquiry, Mr. Ball commented on the impact of earmarks and corporate tax exemptions on sales tax growth.

MOTION: Under Joint Rule 3-2-402(2)(a)(i), Sen. Hillyard moved to adopt the revised revenue estimates for Fiscal Year 2016 (Column c) and new estimates for Fiscal Year 2017 (Column e) as indicated on page 1 of the green sheet titled, "Revenue Estimates – December 2015" and dated today, December 7, 2015. The motion passed unanimously with Sen. Escamilla and Rep. King absent for the vote.

3. FY 2016 and 2017 Business Cycle Management [Agenda Item 6]

Mr. Ball discussed "Business Cycle Management," a new, broader concept that moves beyond revenue volatility and trend analysis. Business cycle management is a budgeting tool that looks at all revenue and expenses in terms of the business cycle and the broader economy. Mr. Ball provided some background information that included: a review of business cycles since 1945 to the present, budgeting tools used to manage revenue volatility, Utah's progress in rebuilding those tools for the next economic downturn, policy headwinds, and a comparison of reserves and obligations (2008 and 2016).

Mr. Ball explained how stress testing can help answer the question, "Can we sustain the current budget?" He discussed modeling revenues and expenditures, applying Federal Reserve economic scenarios, measuring exposure, and comparing to coverage. Mr. Ball referred to a chart showing adverse and severely adverse risk scenarios and accessibility to sources of funding for the next 18 months. Mr. Ball reported that Utah has made good progress and can cover its current obligations.

Dr. Thomas Young, Senior Economist/Forecaster, LFA, discussed how trend analysis answers the question, "How much of a new ongoing commitment can we sustain?" His six slide presentation included a summary of the GF/EF totals based on trend/cycle consensus figures for November 2015 followed by

trend/cycle details of the respective revenue sources: sales tax, sales tax earmarks, income tax, corporate tax, and all other revenue sources. Dr. Young reported that the GF is about \$16 million above trend and the EF is about \$38 million above trend for a total of approximately \$53 million above trend.

Mr. Ball stated that we have made considerable progress on the policy and funding front and on building reserves. He added that there is some work to be done in paying off long-term obligations invested in cash and infrastructure. Of the \$380 million that the committee adopted in ongoing revenue, about \$53 million can be attributed to the business cycle rather than long-term economic growth and should be spent carefully.

Sen. Okerlund asked how much of a loss in sales tax revenue to the State do internet sales represent. Mr. Ball responded that online transactions that are not taxed represent about \$190 million, which is an increase of about \$35-\$37 million from last year.

4. Set-aside Amounts for End of Session [Agenda Item 7]

Co-Chair Sanpei recognized Sen. Hillyard for a motion.

MOTION: Under Joint Rule 3-2-402(2)(a)(iv), Sen. Hillyard moved to set aside the following special allocations for the end of General Session: \$15,931,000 ongoing from the General Fund and \$37,549,000 ongoing from the Education Fund to increase Capital Improvements from 1.1% to 1.54% of replacement value.

Sen. Hillyard spoke to the motion. He explained that the motion sets aside the above trend money for a one-time expenditure and does not require an ongoing obligation. Because the State is not able to keep up with capital improvements needs, the State Building Board requested an increase from 1.1 percent to 1.5 percent of replacement value. Sen. Hillyard said that the final decision on how this money is to be used will not be made until the end of the Session.

SUBSTITUTE MOTION: Under Joint Rule 3-2-401 (2)(a)(iv), Rep. Briscoe moved to set aside the following special allocations for the end of General Session: \$15,931,000 ongoing from the General Fund and \$37,549,000 ongoing from the Education Fund for Teacher Retention Bonuses.

Rep. Briscoe spoke to the substitute motion and explained that above trend money would be used for one-time teacher retention bonuses, would not be an ongoing expenditure, and would help address teacher shortages.

Sen. Hillyard spoke against the substitute motion. He did not think the funding would satisfy all of the requests for salary increases and felt that one-time bonuses for employees across the board are not very effective except in special unique areas.

Rep. Briscoe differed with the sponsor of the main motion and the assessment of bonuses.

A vote was taken on the substitute motion. The substitute motion failed with Sen. Dabakis, Sen. Davis, Sen. Escamilla, Sen. Mayne, Rep. Arent, Rep. Briscoe, Rep. Chavez-Houck, and Rep. King voting in support of the motion.

A vote was taken on the original motion. The motion passed unanimously.

5. Subcommittee Reports on 2015 Interim Actions [Agenda Item 2]

The [Subcommittee Reports on 2015 Interim Actions](http://www.le.utah.gov) are posted on the legislative website at www.le.utah.gov under meeting materials for the Executive Appropriations Committee (EAC).

a. Public Education

Sen. Howard A. Stephenson, Co-Chair, Public Education Appropriations Subcommittee, presented the report. Rep. Steve Eliason, Co-Chair, participated remotely via mobile phone. Mr. Ben Leishman, Fiscal Analyst, LFA, and Ms. Jill Curry, Fiscal Analyst, LFA, provided assistance.

Sen. Stephenson acknowledged fiscal analysts, Ben Leishman and Jill Curry, for their great work. He also thanked LFA and LRGC for the Legislative Policy Summit held at Adobe Systems, Inc. on November 19, 2015. In particular, he mentioned Dr. Scott Schaeffer, University of Utah, who presented a blue print on how to determine which policy decisions are best in improving Gross Domestic Product. He also called attention to a new Carnevale report, "The Economic Value of College Majors," which may be of interest to legislators.

During the Interim, the subcommittee met on November 24, 2015 to discuss a number of issues. They included:

1. Property Tax Equalization: Implementation of S.B. 97 – The subcommittee discussed implementation issues in relation to the state guarantee rate on the Voted & Board Local Levy Programs. Sen. Stephenson explained that because of the language in S.B. 97, Property Tax Equalization Amendments, \$22 million will not be distributed to school districts and charter schools. The subcommittee will recommend how to remedy the problem in its January 6, 2016 meeting. The subcommittee also requested information on how school districts have used the additional funding appropriated in FY 2016. Subcommittee members also discussed, but did not act, on how to include charter schools in the equalization program.

2. 2015 General Session Follow-up Items: Utah State Office of Education (USOE) – The USOE reported on three items: Indirect Cost Pool Rates for USOE and the Utah State Office of Rehabilitation (USOR); Free Market Protection and Privatization Board recommendations; and the licensing of SAGE questions to other states. The subcommittee passed a motion to send a letter to the Legislative Audit Subcommittee requesting an audit of the Information Technology section of the USOE. The purpose of the audit is to validate the ongoing costs associated with the Aspire student information system. The Free Market Protection and Privatization Board recommended that the system be privatized.

3. Utah State Office of Education: Financial Management – Rep. Eliason reported that the subcommittee heard a recent audit of the USOR, which highlighted several long-term issues in the internal accounting section of the USOE. The subcommittee also discussed the general oversight of USOE and USOR by the State Board of Education. The Legislative Auditor recommended that the USOR be moved to the Department of Workforce Services (DWS) where the overlap of clientele is about 70 percent. The subcommittee voted unanimously to open a bill file with the intent to move the USOR to the DWS.

Rep. Eliason noted that during the November meeting, Sen. Hillyard requested that the subcommittee carefully look at the fiscal ramifications of moving USOR to the DWS and consider other methods of funding to avoid directly impacting the GF.

4. *Digital Learning Software Update* – Sen. Stephenson reported that even though the Legislature has provided a lot of software for English Language Learning, Math programs, and Early Intervention Reading, many software packages have not been opened, nor have licenses been deployed. Third party evaluators show that when the software and devices are integrated in the curriculum and used with fidelity, students' scores soar. The State Board of Education voted on a plan to ensure that the LEAs submit plans on how they are going to integrate the technology into the instructional model.

Sen. Stephenson indicated that during its final meeting on January 6, 2016, the subcommittee will review and discuss the year-end 2015 budget; statutory reports and fees; three reports from the State Board of Education on Pupil Transportation, Concurrent Enrollment, and Class Size Reduction; and methods to increase transparency of certain items within MSP categorical programs and the use of programmatic funding for state-level administrative costs.

Sen. Mayne remarked that her experience teaching in the Granite School District points to the need for long-term technology support in our schools. Sen. Stephenson reiterated the importance of on-going professional development as well.

b. Business, Economic Development, and Labor

Sen. Brian E. Shiozawa, Co-Chair, Business, Economic Development, and Labor Appropriations Subcommittee, presented the report. He noted that Rep. Dixon Pitcher, Co-Chair, was currently out of town and had asked to be excused. Dr. Andrea Wilko, Chief Economist, LFA, and Ms. Clare Tobin Lence, Fiscal Analyst, LFA, provided assistance.

Sen. Shiozawa reported that the subcommittee met twice in October, heard reports from constituent organizations, and evaluated programs in terms of return on objective and return on investment. The subcommittee held lengthy discussions on the USTAR follow-up audit, the Department of Alcoholic Beverage Control (DABC) financial audit, and the return on investment for the various incentives offered by the Governor's Office of Economic Development (GOED).

Sen. Shiozawa highlighted some the subcommittee's ongoing concerns with USTAR that included USTAR's focus, ability to meet objectives under the current USTAR structure, physical facilities, and funding staff and researchers at the University of Utah and Utah State University. Sen. Shiozawa noted that some changes have occurred since the hiring of the new executive director.

The subcommittee also looked at the objectives of the DABC and its return on investment. Some concerns included: DABC management, personnel, staffing and supplying outlets, and mission.

Finally, Sen. Shiozawa also briefly discussed GOED's prioritization of economic development items based on return on investment. The subcommittee discussed the EDTIF program which allows GOED to rebate up to 30 percent of the incremental new revenue over the life of a project not to exceed a 20 year span.

Sen. Shiozawa thanked the members of the subcommittee and staff for their participation and support during the Interim.

Co-Chair Sanpei expressed his appreciation to the subcommittee as well.

c. Executive Offices and Criminal Justice

Sen. Daniel W. Thatcher, Co-Chair, and Rep. Kevin J. Stratton, House Vice Chair presented the report. Mr. Gary Syphus and Ms. Clare Tobin Lence, LFA Fiscal Analysts, provided assistance.

Sen. Thatcher stated that overall, the subcommittee is very happy with how the criminal justice budget has been implemented since its last appropriation. The subcommittee met twice during the Interim and discussed 15 topics that included a review of the base budget and the implementation and accuracy of fiscal notes and building blocks funded in FY 2015. Sen. Thatcher mentioned a high number of success stories, including the \$1 million one-time appropriation to pay for overtime shifts for the Highway Patrol, which translated into over 14,000 hours of additional protection and enforcement during the most critical and key times.

Sen. Thatcher also highlighted the \$2.1 million in savings associated with “Jail Contracting Growth.” He noted that over the past several years the criminal justice system has been working hard to decrease the incarceration rate. This year, the system not only managed to stop the trend in growth but also decreased the number of incarcerated individuals by over 300 people. Sen. Thatcher attributed this decrease in large part to the Justice Reinvestment Initiative (JRI). He also noted that because there are over 1,000 new people in diversion and supervision programs, the subcommittee has been considering options for reprioritizing the \$2.1 million in savings.

The subcommittee also reviewed off-budget funds, options for modifying the Attorney General’s system of billing state agencies for legal services, CSG budget recommendations on the Division of Juvenile Justice Services, and the status of the Justice Reinvestment Initiative. Sen. Thatcher noted that funding for the treatment and care of individuals with mental health and substance abuse issues is the biggest stumbling block for the progress of JRI.

Speaker Hughes stressed the importance of being kept up to date on the progress of JRI given the budgetary constraints in the upcoming General Session.

The committee briefly discussed Medicaid Expansion, funding for mental health and substance abuse treatment, access to insurance, and the availability of care.

d. Higher Education

Co-Chair Sanpei indicated that the chairs of the Higher Education Appropriations Subcommittee were not able to be in attendance. The subcommittee’s written report begins on page 9 of the report, [Subcommittee Reports of 2015 Interim Actions](#), and is found behind Tab 2 in the committee binders.

e. Infrastructure and General Government

Rep. Gage Froerer, Co-Chair, Infrastructure and General Government Appropriations Subcommittee, presented the report. Due to a prior obligation, Sen. Wayne Harper had asked to be excused. Ms. Angela Oh, Senior Statistician, LFA, and Mr. Brian Wikle, Fiscal Analyst, LFA, provided assistance.

Rep. Froerer remarked that members of the subcommittee spent time during the summer looking at a number of important issues that included long-term debt modeling, water infrastructure, current assets, full cost of building ownership, and capital improvements and deferred maintenance. Some of the top items for discussion included the following:

1. Long-term debt – The subcommittee reviewed the current picture of the State’s General Obligation (GO) bond indebtedness, looked at various models that add to current debt, and considered hypothetical payoff schedules associated with issuing bonds for construction of the new prison, transportation infrastructure, and water infrastructure.

Sen. Adams commented on the important role that bonding authority plays in UDOT’s budget planning process.

2. Division of Fleet – The subcommittee reviewed the Division of Fleet Operation’s debt to the General Fund including past debt levels, the current level, and projected levels. The subcommittee also looked at major contributors to Fleet’s need to borrow – 1) under recovery on lease rates, and 2) under recovery on fuel and maintenance charges. Rep. Froerer noted that Fleet has revised its lease rate formula; however due to federal rules on including inflationary adjustments in lease rates, Fleet will likely need to continue borrowing from the GF. The subcommittee also heard options that could address Fleet’s accumulated debt and/or need for continued borrowing. No action was taken in the interim, but there should be some legislation coming forward on this issue in the upcoming session.

3. State Building Board – The subcommittee heard from the State Building Board on current assets, the full cost of building ownership, capital improvement funding, and their FY 2017 capital development list. Rep. Froerer noted that the State Building Board and DFCM have done a great job in making sure there is an accurate inventory of buildings that includes the actual cost for buildings, including insurance and O&M costs. He mentioned that DFCM has developed a model for funding O&M based on actual costs rather than on a formula. Higher Education has been asked to reevaluate how they calculate their O&M costs using a similar model.

Speaker Hughes asked if the subcommittee was looking at a uniform approach at categorizing buildings for funding at the different institutions of higher education. Rep. Froerer confirmed that not only are the buildings being categorized but individual segments within those buildings are being categorized and factored into the O&M funding costs.

Co-Chair Sanpei thanked the subcommittee for its report.

f. Natural Resources, Agriculture, and Environmental Quality

Rep. Kay J. Christofferson, House Vice Chair, Natural Resources, Agriculture, and Environmental Quality Subcommittee, presented the report. Co-Chairs, Sen. David P. Hinkins and Rep. Michael K. McKell, had asked to be excused. Mr. Ivan Djambov and Mr. Brian Wikle, LFA Fiscal Analysts, provided assistance.

Rep. Christofferson reported that the subcommittee met on July 14, 2015 and September 30, 2015 to discuss a number of topics that included:

1. *Conservation Commission* – The Department of Agriculture and Food has been in the process of hiring and training UACD staff since July 1, 2015. Department leadership reported that several of the newly-hired employees have already left their employment with the state for various reasons. It is anticipated that the transition will take some time and effort. Since funding for this transfer is mostly one-time, this issue will be back before the Legislature during the 2016 General Session.

2. *Review of Statutory Authorization* – All programs are authorized in statute, and no programs were identified for elimination.

3. *Catastrophic Fire Prevention* – The Division of Forestry, Fire, and State Lands provided a financial update on the catastrophic fire prevention program. This is an ongoing program that seems to be very effective. The division used \$1.9 million appropriated in FY 2015 for 18 projects and will use \$2.5 million appropriated in FY 2016 for 27 projects statewide. The division has also received support from various partners who have committed financial as well as in-kind contributions.

4. *Invasive Species* – The Department of Agriculture and Food reported on the use of funding to treat noxious weeds and noxious tree removal. The funding is also used for university research to improve eradication methods, aquatic weed treatments, and biocontrol of weed populations.

5. *Rangeland Improvement Fund (GIP) and Watershed Projects* – LFA staff presented a report comparing the Grazing Improvement Program (GIP) and the Watershed Program and provided an update on the amounts and sources of funding over time. In addition to direct appropriations from the Legislature, these programs receive a significant amount of funding from other state, local, and federal government agencies, nonprofit organizations, and private individuals. The subcommittee felt that the programs were meeting their objectives.

Rep. Christofferson also addressed the elimination of statutorily required fees and reports, utilization of prior-year funding increases, and DNR Financial Services.

Co-Chair Sanpei thanked the subcommittee's efforts during the Interim for today's report.

g. Retirement and Independent Entities

Sen. Todd Weiler, Co-Chair, Retirement and Independent Entities Appropriations Subcommittee, presented the report. Mr. Brian Fay, Fiscal Analyst, LFA, and Dr. Thomas Young, Senior Economist, LFA, provided assistance.

Sen. Weiler stated that the subcommittee heard a request from the Department of Human Resource Management (DHRM) to shift the Administration, Policy, and Information technology programs into their existing Internal Service Fund (ISF). The subcommittee recommended shifting these programs into the ISF. The subcommittee also recommended proposed legislation to modify the current rate structure committee to include additional customer agencies.

Utah Futures presented their performance measures and objectives as well as an update on how Utah Futures is utilizing \$2 million appropriated in S.B. 243 (2015 General Session).

Finally, Utah Education and Telehealth Network (UETN) presented an overview of a funding proposal for statewide digital teaching and learning programs. UETN's proposal is for \$5.1 million ongoing and \$2.6 million one-time for network infrastructure, technical services, and instructional training and \$1.0 million ongoing for instructional enterprise software.

Sen. Weiler noted that UETN was split off from the Public Education Appropriations Subcommittee a couple of years ago and assigned to Retirement and Independent Entities so as not to compete with all the other educational funding requests.

Rep. Sanpei pointed out that one of the State's largest increases in obligations between 2008 and 2016 is the pension plan. He asked if the subcommittee had discussed the pension plan debt obligation. Sen. Weiler noted that the State is still absorbing the losses from 2008-2009 and referred to legislation that was passed to recapture those losses. He attributed most of the obligation to the loss in investment funds rather than an increase in the number of employees or retirees. He noted that the Tier II Retirement Plan is incurring less cost to the system.

h. Social Services

Sen. Allen M. Christensen, Co-Chair, Social Services Appropriations Subcommittee, presented the report. Rep. Paul Ray, Co-Chair, and Rep. Edward H. Redd, House Vice Chair, had asked to be excused from the meeting. Mr. Russell Frandsen and Mr. Stephen Jardine, LFA Fiscal Analysts, provided assistance.

Sen. Christensen explained that the subcommittee met on June 12, 2015 and September 11, 2015 to discuss a number of topics and identified the site visits and meeting locations. The subcommittee also plans to meet on December 15, 2015 to consider base budgets, upcoming funding requests, and other issues in preparation for the 2016 General Session.

Sen. Christensen reported that the subcommittee heard and discussed the Legislative Auditor General's performance audit of the Utah State Office of Rehabilitation (USOR). The subcommittee received input from USOR and the USOE and its board. A quorum was not present to take any action. The subcommittee will take final action during the 2016 General Session.

Sen. Dabakis asked about any alternative plans to Medicaid Expansion. Sen. Christensen said that there are several different proposals on the table and others are being formulated. He noted that Rep. Dunnigan is currently in Washington D.C. talking with the Department of Health and Human Services about this issue. Sen. Dabakis spoke in support of full Medicaid Expansion.

Rep. Gibson felt that USOR should be in a place where they have the best advocacy. His first choice would be for USOR to stand alone followed by placing it within Utah's Department of Human Services.

Speaker Hughes offered some remarks about the cost of Medicaid Expansion and the high competition for GF dollars. He suggested finding areas where there is an overlap in services as a means of delivering finite dollars to priorities with the most need.

Rep. Briscoe spoke in support of USOR and recommended that USOR be a stand-alone entity.

Sen. Christensen reported on the Highest Cost Individuals across the four Social Services agencies; funding legislative priorities with federal block grants (to be discussed on December 15, 2015); local substance abuse and mental health funding associated with the Justice Reinvestment Initiative; and follow-up on "Salaries of Direct Care Workers with Individuals with Intellectual Disabilities" increased funding.

The subcommittee also reviewed the following programs: State Laboratory, Governor's SUCCESS program, Spending for Fleet, and Local Authority Mental Health Medicaid Match. Finally, the subcommittee recommended removing two of fourteen reports required in statute to go to the Social Services Appropriations Subcommittee.

Sen. Christensen thanked the fiscal analysts for their expertise and years of experience.

6. Allocations to Subcommittee [Agenda Item 8]

Mr. Allred called attention to the red sheet behind Tab 8, "[Subcommittee Allocations – December 2015](#)" and explained that under Joint Rule 3-2-402(2)(v), one of the duties of the EAC in December is to approve the appropriate amount for each subcommittee to use in preparing its budget. Mr. Allred stated that the amounts listed on the red sheet represent the FY 2016 budget's ongoing General and Education Fund appropriations.

Sen. Hillyard announced that last year, the Legislature allocated \$638 million in new ongoing and one-time money. The amount of new money available for FY 2017 is \$560 million, which is \$70 million less than what the Legislature funded last year. Co-Chair Hillyard hoped, come February, that there will be some additional revenue to meet all of the demands for money.

MOTION: Under Joint Rule 3-2-402(2)(v), Sen. Hillyard moved to allocate to subcommittees for the 2016 General Session the amounts shown on the red sheet titled "Subcommittee Allocations – December 2015" and dated today, December 7, 2015. The ongoing amounts represent the Fiscal Year 2016 budget's ongoing General and Education Fund appropriations.

Sen. Hillyard noted that the amounts on the red sheet represent last year's base budgets. In addition, the Infrastructure and General Government's budget includes a revenue transfer of \$14,214,000 from Debt Service nonlapsing balances to the General Fund, One-time to cover risk in Debt Service for bonds issued under the Build America Bond program. In regards to new funding requests, Sen. Hillyard asked the subcommittees to first look at reallocating within their own budgets.

Sen. Dabakis asked for a clarification on the consensus revenue forecast numbers for FY 2017 and the proposed base budget figures allocated to the subcommittees.

SUBSTITUTE MOTION: Rep. Chavez-Houck moved that we adopt the base budget bills as presented with the following changes: In H.B. Social Services Base Budget appropriate an additional \$18,000,000 million General Fund one-time and \$37,800,000 million General Fund ongoing to cover mandated Medicaid growth.

Rep. Chavez-Houck remarked that this action provides us with a starting point that reflects the consensus forecast for Medicaid growth that was presented in last month's EAC meeting.

Sen. Hillyard requested that the motion be divided. He spoke against the motion stating that the motion circumvents the appropriations process by telling the subcommittee that they have to spend the money in a certain way. Secondly, the motion could create expectations that the Legislature may not be able to fill in the event that revenues go down.

DIVIDED MOTION: Under Joint Rule 3-2-402(2)(v), Sen. Hillyard moved to allocate to subcommittees for the 2016 General Session the amounts shown on the red sheet titled "Subcommittee Allocations – December 2015" and dated today, December 7, 2015. The ongoing amounts represent the Fiscal Year 2016 budget's ongoing General and Education Fund appropriations. The motion passed unanimously with Rep. King absent for the vote.

Rep. Chavez-Houck spoke to the divided motion and asked committee members to vote in favor of her motion.

DIVIDED MOTION: Rep. Chavez-Houck moved that we adopt the base budget bills as presented with the following changes: In H.B. Social Services Base Budget, appropriate an additional \$18,000,000 million General Fund one-time and \$37,800,000 million General Fund ongoing to cover mandated Medicaid growth. The motion failed with Sen. Dabakis, Sen. Davis, Sen. Escamilla, Sen. Mayne, Rep. Arent, Rep. Briscoe, and Rep. Chavez-Houck voting in favor of the motion. Rep. King was absent for the vote.

7. Base Budget Bills and Fees/Internal Service Fund Rates Bill [Agenda Item 9]

MOTION: Sen. Hillyard moved to authorize legislative staff to include the following changes when drafting base budget bills:

1. **Business, Economic Development, and Labor:** Appropriate \$2,378,600 from the Underage Drinking Prevention Media and Education Campaign Restricted Account (as shown in Item 23 of Draft S.B. 4), which includes the statutorily required funding change for the Parents Empowered Program;
2. **Executive Offices and Criminal Justice:** Reduce the Governor's Office Factual Innocence line item by \$118,200 one-time from the General Fund for Fiscal Year 2016 and appropriate that same amount to the Crime Victim Reparations Fund;

3. **Infrastructure and General Government:** Include a revenue transfer of \$14,214,000 from Debt Service nonlapsing balances to the General Fund, One-time to cover risk in Debt Service for bonds issued under the Build America Bond program; and
4. **Social Services:** Reduce the Department of Health – Workforce Financial Assistance General Fund appropriation by \$300,000 and appropriate that same amount to a new line item in the Department of Health for Rural Physicians Loan Repayment Assistance, (as shown in Items 5 and 6 of Draft H.B. 7) as required by S.B. 76, 2015 General Session.

The motion passed unanimously with Rep. Chavez-Houck and Rep. King absent for the vote.

MOTION: Under Joint Rule 3-2-402(2)(a)(vii), Sen. Hillyard moved to authorize legislative staff to prepare and number base budget bills for each appropriations subcommittee and the Executive Appropriation Committee (EAC) as EAC bills to be introduced on the first day of the 2016 General Session. Staff shall include in these bills:

1. Ongoing General, Education and Uniform School Fund appropriations defined in the current year's appropriations acts;
2. Restricted fund and account amounts that are the lesser of current year appropriations or agency budget requests;
3. Adjustments to dedicated credits and federal funds included in agency budget requests up to 125% of current appropriations as allowed under the Budgetary Procedures Act; and
4. Adjustments to nonlapsing balances, transfers, and other dependent amounts as calculated.

In consultation with the Co-Chairs of the Executive Appropriations Committee, staff may make any technical changes necessary.

SUBSTITUTE MOTION: Sen. Davis moved to adopt the base budget bills as presented with the following change: In H.B. 1 Public Education Base Budget dated 12-04-15 DRAFT appropriate \$90,741,600 to the Education Fund for public education enrollment growth.

Sen. Davis spoke to the motion stating that the money would come from the available \$313 million ongoing revenue in the Education Fund to fund public education enrollment growth.

Sen. Hillyard requested that the motion be divided. He spoke against the motion stating that the motion bypasses what we've asked the appropriations subcommittees to do and precludes other funding options by taking it off the table and funding enrollment growth in this manner.

Sen. Davis agreed to divide the motion. He said that this is a prudent, well-balanced approach to take care of new growth in public education and goes with a balanced budget.

DIVIDED MOTION: Under Joint Rule 3-2-402(2)(a)(vii), Sen. Hillyard moved to authorize legislative staff to prepare and number base budget bills for each appropriations subcommittee and the Executive Appropriation Committee (EAC) as EAC bills to be introduced on the first day of the 2016 General Session. Staff shall include in these bills:

1. Ongoing General, Education and Uniform School Fund appropriations defined in the current year's appropriations acts;

2. Restricted fund and account amounts that are the lesser of current year appropriations or agency budget requests;
3. Adjustments to dedicated credits and federal funds included in agency budget requests up to 125% of current appropriations as allowed under the Budgetary Procedures Act; and
4. Adjustments to nonlapsing balances, transfers, and other dependent amounts as calculated.

The motion passed unanimously with Rep. King absent for the vote.

DIVIDED MOTION: Sen. Davis moved to adopt the base budget bills as presented with the following change: In H.B. 1 Public Education Base Budget dated 12-04-15 DRAFT appropriate \$90,741,600 to the Education Fund for public education enrollment growth.

The motion failed with Sen. Dabakis, Sen. Davis, Sen. Escamilla, Sen. Mayne, Rep. Arent, Rep. Briscoe, and Rep. Chavez-Houck voting in favor of the motion. Rep. King was absent for the vote.

A copy of H.B. 8, State Agency Fees and Internal Service Fund Rate Authorization and Appropriations, was made available to committee members.

MOTION: Sen. Hillyard also moved to authorize legislative staff to prepare and number House Bill 8, State Agency Fees and Internal Service Fund Rate Authorization and Appropriations” as an EAC bill to be introduced on the first day of the 2016 General Session for review by appropriations subcommittees. The motion passed unanimously with Rep. King absent for the vote.

Sen. Hillyard explained that normally the fee bill is introduced towards the end of the session. Getting the bill out early will give people an opportunity to look at the bill, make suggestions and propose changes.

Rep. Gibson asked if the fee bill included any proposed increases to last year’s fees. Mr. Ball said that the bill as drafted includes some fees the agencies are proposing that are different from last year’s fees. If approved, the fees would be adopted as drafted but fees are first subject to subcommittee review.

Mr. Ball indicated that LFA would provide a crosswalk of fee changes. Co-Chair Sanpei reiterated that the fee bill usually comes out late in the session and because it is so technical, it is prone to error. Getting the bill out now would provide legislators plenty of opportunity to review and make changes to the fees.

A vote was taken on the motion. The motion passed unanimously with Rep. King absent for the vote.

8. Federal/Non-federal Grants Review [Agenda Item 3]

Mr. Ken Matthews, Federal Assistance Management Officer, Governor’s Office of Management and Budget (GOMB), presented the “Federal and Non-Federal Grants Report” dated December 7, 2015. Mr. Gary Syphus, Fiscal Analyst, LFA, provided assistance.

Under federal grants, there was one new grant requiring legislative action and three new grants approved by the Governor’s Office.

Under non-federal grants, there was one new grant and one reapplication of an existing grant requiring legislative action. There were no new non-federal grants approved by the Governor’s Office.

Mr. Matthews also reported that for the month of December, no grant requiring EAC approval would require additional state money if federal funding for the program were to be reduced or eliminated.

Mr. Matthews also reported on the status of various TANF proposals, which are currently in various stages of review and approval. Information that describes each proposal, its status, and funding amounts can be found behind Tab 3 in a one-page document, "[Temporary Assistance for Needy Families \(TANF\) Report](#)."

Sen. Hillyard inquired about the new non-federal grant for Natural Resources, "Paleontological Excavation of Doelling's Bowl Bonebed," non-federal award of \$18,481 with a state match of \$9,241 of existing program expense. Additional grant information was available on page 7 of the report.

Sen. Escamilla asked clarifying questions about the proposed TANF grants.

MOTION: Sen. Hillyard moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of the handout entitled, "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, December 7, 2015. The motion passed unanimously with Rep. Gibson and Rep. King absent for the vote. Sen. Escamilla voted in opposition to the motion.

9. Fiscal Health Dashboard – Current Status of Obligations [Agenda Item 4]

Mr. Ball invited committee members to go to the website: budget.utah.gov and click on [Fiscal Health Dashboard](#) to find information on the current status of obligations. He indicated that he had covered most of that information in his presentation on stress testing.

One additional document, [Current Status of Obligations](#), was posted on the EAC committee page for December 7, 2015.

10. FY 2016 and 2017 Appropriations Limit Estimates

Mr. Ball discussed the FY 2016 and FY 2017 appropriations limit estimates presented in the one-page document, "[Appropriations Limit Calculation](#)." He indicated that Utah is well below the appropriations limit but we need to be aware of it and monitor it going forward.

11. Legislative Compensation Commission Report

Mr. David Pyne, Chairman, Utah Legislative Compensation Commission, presented "Report of the Utah Legislative Compensation Commission." He explained that during the last six years, the Commission has been able to increase the compensation level for the members of the Utah State Legislature from 40th to 14th nationally, based on a daily rate basis. Mr. Pyne reviewed the Commission's recommendations for the 2016 General Session as follows:

- The daily rate for legislators remains at \$273 per day.
- Legislators paid the daily rate for attendance at authorized legislative training days for up to ten days per legislator as approved by the Legislative Management Committee

- Annual leadership pay remains the same as outline in the report.
- The Legislature study the costs and benefits of creating an opt-out option with payment in lieu of health and other insurance and report.

Sen. Dabakis expressed some concern that training days are authorized for legislators but the Legislature doesn't authorize training days for teachers.

Mr. Pyne mentioned that there was some concern from rural legislators that perhaps they are not compensated sufficiently for all their travel time. The Commission offered no recommendations but intends to devote some additional time to studying this topic in the future.

Rep. Arent asked for a clarification on what constitutes an "official" work day for pay. Mr. Pyne explained that statute defines a legislative work day and that the definition does not cover constituent services. If permissible, he indicated that the Commission would be happy to entertain proposals from leadership to look at potential compensation for constituent services.

12. Other Business/Adjourn

Co-Chair Sanpei announced that there were copies of three written reports submitted for EAC review behind Tab 12: 1) [Executive and Judicial Compensation Commission Report](#), 2) [Division of Finance Report on Contribution Dependent Accounts](#), and 3) [Division of Finance Report on Federal Funds Receipts and Contingency Plans](#).

MOTION: Sen. Hillyard moved to adjourn. The motion passed unanimously with Sen. Escamilla, Rep. Gibson, and Rep. King absent for the vote.

Co-Chair Sanpei adjourned the meeting at 5:03 p.m.